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Bachelor of Commerce (B2001) | Year 1 • Part A Core | Monash University

Principles of marketing

Course Code: MKC1200 • Module 2 Notes

Module 2: Marketing Research, Consumer & Business Buyer Behaviour & STP

2.1 Marketing Information Systems and Customer Insights

Effective marketing strategy relies on timely, accurate customer insights rather than managerial intuition. To transform fragmented marketplace signals into actionable intelligence, organisations build a **Marketing Information System (MIS)**—the people and procedures dedicated to assessing information needs, developing the needed information, and helping decision-makers use that information to generate and validate customer and market insights.

An effective MIS balances what managers think they need, what they genuinely need, and what is economically feasible to collect. It synthesises intelligence from three primary sources:

- **Internal Data:** Electronic collections of consumer and market information obtained from data sources within the company network. Examples include point-of-sale scanner logs, Flybuys or Everyday Rewards loyalty card transaction records, e-commerce clickstream analytics, customer service transcripts, and accounts receivable ledgers. While fast and inexpensive to access, internal data is often structured for accounting or operational fulfilment rather than strategic marketing analysis, requiring careful cleaning and integration.
- **Competitive Marketing Intelligence:** The systematic monitoring, collection, and analysis of publicly available information about consumers, competitors, and developments in the marketing environment. Australian marketers track competitor catalogue pricing, ASX annual reports, IBISWorld industry briefs, Australian Bureau of Statistics (ABS) census releases, patent filings, and social media sentiment. Competitive intelligence must operate strictly within ethical boundaries and Australian law, avoiding industrial espionage or misrepresentation.
- **Marketing Research:** The systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organisation. Unlike continuous MIS monitoring, marketing research addresses targeted decision problems—such as evaluating price elasticity for a new subscription tier or diagnosing why cart abandonment rose on mobile checkout.

2.2 The Marketing Research Process

Rigorous marketing research follows a structured four-step discipline that prevents confirmation bias and wasted fieldwork expenditure.

Step 1: Defining the Problem and Research Objectives

Problem definition is frequently the most demanding step because managers often confuse observable symptoms (e.g., declining unit sales in Victoria) with underlying causes (e.g., competitor distribution gains or packaging confusion). Once the management decision problem is framed, researchers establish specific objectives aligned to one of three research designs:

Research Design	Primary Objective	Typical Methods & Australian Example
Exploratory Research	Gather preliminary information that helps define problems more precisely and suggest testable hypotheses.	Literature scans, expert interviews, qualitative focus groups, and ethnographic observation (e.g., observing how Brisbane commuters choose grab-and-go breakfasts).
Descriptive Research	Better describe marketing problems, situations, or markets, such as market potential or demographic attitudes.	Structured cross-sectional surveys, longitudinal scanner panels, and ABS demographic profiling (e.g., quantifying electric vehicle consideration across Australian postcodes).

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Research Design	Primary Objective	Typical Methods & Australian Example
Causal Research	Test hypotheses about cause-and-effect relationships between manipulated marketing variables and outcomes.	Controlled A/B digital experiments, split-store pricing trials, and randomised field tests (e.g., testing whether A$5 free-shipping thresholds lift average order value).

Step 2: Developing the Research Plan

The research plan outlines exact data sources, research approaches, contact methods, sampling plans, and research instruments. Researchers typically evaluate **secondary data** (information that already exists somewhere, having been collected for another purpose) before commissioning **primary data** (information collected specifically for the current research project). Secondary data—such as ABS Census tables, Roy Morgan readership profiles, and Austrade export briefings—is faster and cheaper, though researchers must audit its relevance, accuracy, currency, and impartiality.

When primary data is required, managers select among three research approaches: *observational research* (gathering data by observing relevant people, actions, and situations, including ethnographic shadowing, eye-tracking, and retail heat-mapping), *survey research* (best suited for descriptive knowledge, attitudes, preferences, and buying behaviour), and *experimental research* (best suited for establishing causal proof by controlling extraneous variables across treatment and control groups).

Contact Methods and Research Instruments

Selecting an appropriate contact method balances fieldwork speed, unit cost, geographic reach, and control over response bias. Online surveys and mobile panels dominate Australian commercial research due to rapid turnaround and multimedia capability, yet personal in-depth interviews and focus groups remain indispensable when probing complex motivations or testing physical prototypes.

Contact Method	Key Strengths	Primary Limitations	Best Research Application
Online Surveys & Mobile Panels	Low cost per response, rapid national reach across Australia, automated skip logic, multimedia stimulus embedding.	Self-selection bias, survey fatigue, panel conditioning, and risk of automated bot responses.	Large-sample descriptive tracking, concept testing, and conjoint preference measurement.
Focus Group Interviewing	Group synergy sparks spontaneous insights; moderator observes non-verbal reactions and probes rationale in real time.	Small non-representative samples (6–10 participants), risk of dominant-voice conformity bias, high cost per respondent.	Exploratory idea generation, brand association mapping, and advertising message pre-testing.
Individual Depth Interviews	Uncovers sensitive personal motives or confidential B2B procurement workflows free from peer pressure.	Time-intensive, expensive, and susceptible to interviewer interpretation bias.	Executive B2B research, medical or financial behaviour studies, and specialised user-experience diagnostics.
Telephone (CATI)	Good sample control over regional/remote postcodes and moderate clarification capability.	Declining answer rates due to call screening, rising refusals, and inability to display visual stimuli.	Customer satisfaction post-service tracking and B2B decision-maker verification.

In constructing questionnaires, researchers carefully choose between **closed-ended questions** (dichotomous, multiple-choice, Likert agreement scales, and semantic differential scales—easy to code and tabulate statistically) and **open-ended questions** (useful in exploratory work to capture respondents' natural vocabulary). Rigorous pre-testing eliminates ambiguous wording, double-barrelled questions (asking two distinct questions in one item), and leading phrasing that nudges respondents toward a desired answer. Beyond surveys, researchers increasingly deploy

mechanical and digital instruments—including supermarket checkout scanners (NielsenIQ/Circana), website clickstream cookies, eye-tracking glasses, and facial-expression coding—to capture revealed behaviour rather than stated recall.

Selecting respondents requires a formal **sampling plan** specifying the sampling unit (who is to be surveyed), sample size (how many people should be surveyed), and sampling procedure (how respondents should be chosen). Under **probability sampling** (simple random, stratified random, cluster sampling), every population member has a known, non-zero chance of selection, enabling statistical calculation of sampling error. Under **non-probability sampling** (convenience, judgement, quota sampling), selection relies on researcher accessibility or judgement; while faster and lower cost, sampling error cannot be formally quantified.

Sample Size Determination for Proportions

When planning a descriptive survey to estimate a population proportion (such as the share of Australian households willing to switch to a green electricity plan) within a target margin of error, researchers calculate minimum required sample size n using:

$$n = \frac{z^2 \cdot p(1-p)}{E^2}$$

Where:

- n: Minimum required completed sample size (rounded up to the next integer).
- z: Standard normal critical value corresponding to the desired confidence level (e.g., $z = 1.96$ for 95% confidence; $z = 2.576$ for 99% confidence).
- p: Expected population proportion ($p \in (0, 1)$); when no prior estimate exists, $p = 0.50$ is used because $p(1-p) = 0.25$ maximises variance and yields the most conservative (largest) sample size.
- E: Maximum tolerable margin of error (expressed as a decimal, e.g., $\pm 4\% = 0.04$).

Worked Numerical Example 2.1: Survey Sample Size and Fieldwork Budgeting

Scenario: An Adelaide organic food cooperative plans a consumer survey to estimate the proportion of South Australian households willing to purchase a weekly produce box priced at A$65. Management requires 95% confidence ($z = 1.96$) and a maximum margin of error of $\pm 3.5\%$ ($E = 0.035$). Historical pilot data suggests roughly 30% of surveyed households express interest ($p = 0.30$). If the research agency expects a 25% completed response rate and charges A$18 per completed response plus A$2.50 per initial invitation sent, calculate the required sample size, invitations required, and total fieldwork cost.

Step 1: Compute required completed sample size (n).

$$n = \frac{(1.96)^2 \times 0.30 \times (1 - 0.30)}{(0.035)^2} = \frac{3.8416 \times 0.21}{0.001225} = \frac{0.806736}{0.001225} = 658.56 \approx 659 \text{ completed responses}$$

Step 2: Adjust for expected 25% response rate to determine invitations (N_{invite}).

$$N_{\text{invite}} = \frac{659}{0.25} = 2,636 \text{ invitations}$$

Step 3: Calculate total fieldwork budget (AUD).

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$$\text{Total Cost} = (659 \times 18) + (2,636 \times 2.50) = 11,862 + 6,590 = 18,452 \text{ AUD}$$

Step 4: Conservative check. Had no pilot estimate existed ($p = 0.50$), required completed responses would rise to $n = (3.8416 \times 0.25)/0.001225 = 784$, demonstrating how prior exploratory estimates directly reduce fieldwork expenditure.

Steps 3 and 4: Implementing, Interpreting, and Australian Research Ethics

During implementation, researchers monitor data collection closely to prevent interviewer bias, bot submissions in online panels, and questionnaire fatigue. Analysis converts raw records into cross-tabulations, regression models, factor analyses, and perceptual maps, followed by concise executive reporting focused on decision implications rather than statistical jargon. Increasingly, Australian enterprises embed Customer Relationship Management (CRM) systems and **marketing analytics**—applying machine-learning churn prediction and propensity scoring across first-party loyalty ecosystems such as Woolworths Everyday Rewards and Qantas Frequent Flyer—so research insights inform automated next-best-offer decisions in near real time.

In Australia, primary data collection involving identifiable personal information is governed by the *Privacy Act 1988 (Cth)* and the Australian Privacy Principles (APPs), alongside the professional Code of Conduct of The Research Society (Australia). Ethical compliance mandates informed voluntary consent, transparent disclosure of research purpose (prohibiting "sugging"—selling under the guise of research), protection of minors, and secure de-identification of analytical datasets.

2.3 Consumer Markets and Consumer Buyer Behaviour

Consumer buyer behaviour refers to the buying behaviour of final consumers—individuals and households that buy goods and services for personal consumption. Marketers rely on the **stimulus–response model of buyer behaviour**: external marketing stimuli (the Four Ps) and environmental stimuli (economic, technological, social, cultural) enter the consumer's "black box"—comprising buyer characteristics and the buyer decision process—and produce observable buyer responses (brand choice, purchase timing, purchase quantity, and post-purchase engagement).

Characteristics Affecting Consumer Behaviour

Four broad layers of influence shape how consumers interpret stimuli and form preferences:

Factor Category	Key Components	Behavioural Mechanism & Marketing Application
Cultural	Culture, subculture, social class.	Culture represents the most fundamental determinant of wants and values. Subcultures (e.g., multicultural communities in Sydney and Melbourne, generational cohorts such as Gen Z and Baby Boomers) exhibit distinct media habits and brand loyalties. Social class reflects combined occupation, income, education, and wealth, shaping housing, leisure, and financial choices.
Social	Groups, social networks, word-of-mouth, opinion leaders, family, roles & status.	Membership and aspirational reference groups exert normative and informational influence—especially for publicly visible products (apparel, cars, restaurants). Word-of-mouth and digital creator endorsements carry higher source credibility than corporate advertising. Family buying roles shift across categories (joint decisions for mortgages vs individual choice for snacks).

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Factor Category	Key Components	Behavioural Mechanism & Marketing Application
Personal	Age & life-cycle stage, occupation, economic situation, lifestyle, personality & self-concept.	Household spending pivots sharply across life transitions (tertiary study, cohabitation, parenting, retirement). Lifestyle analysis (activities, interests, opinions) links consumption patterns to everyday identity, while brand personality theory recognises that consumers choose brands whose traits mirror their actual or ideal self-concept.
Psychological	Motivation, perception, learning, beliefs & attitudes.	Motives arise when needs reach sufficient intensity (Maslow's hierarchy from physiological and safety needs up to esteem and self-actualisation). Perception filters stimuli via selective attention, selective distortion, and selective retention. Learning arises from reinforcement, while deeply held attitudes are difficult to alter without reframing underlying beliefs.

Understanding **selective perception** is vital for marketing communication design. Because urban Australian consumers encounter thousands of commercial messages daily, they screen out most stimuli (**selective attention**), interpret ambiguous claims to fit existing preconceptions (**selective distortion**), and remember only arguments supporting favoured brands (**selective retention**). Consequently, breaking through perceptual filters demands high message clarity, repetition, and unmistakable relevance to an active need.

2.4 Types of Buying Decision Behaviour, the Buyer Decision Process, and Adoption of Innovations

Buyer decision-making varies substantially depending on the degree of **buyer involvement** (how personally important, expensive, risky, and self-expressive the purchase is) and the extent of **perceived differences among brands**. Cross-classifying these two dimensions yields Henry Assael's four distinct types of consumer buying behaviour:

Buying Behaviour Type	Involvement & Brand Differences	Buyer Dynamics & Strategic Marketing Response
Complex Buying Behaviour	High involvement; significant differences among brands.	Consumers actively research technical specifications, consult reviews, and form deliberate beliefs before deciding (e.g., buying a hybrid SUV or selecting a university degree). Marketers must educate buyers on differentiating attributes via detailed comparison content, specialist staff, and peer endorsements.
Dissonance-Reducing Buying Behaviour	High involvement; few perceived differences among brands.	Consumers shop around to inspect availability and price, buy quickly, and then experience post-purchase anxiety over potential flaws (e.g., residential carpeting, home insurance, or solar inverters). Marketers must supply strong post-purchase reassurance, warranties, and satisfaction guarantees.
Habitual Buying Behaviour	Low involvement; few perceived differences among brands.	Consumers buy out of routine familiarity rather than genuine brand conviction (e.g., table salt, standard pasta, kitchen foil). Marketers rely on broad distribution availability, price promotions, eye-level shelf placement, and high-frequency visual reminder advertising.
Variety-Seeking Buying Behaviour	Low involvement; significant perceived differences among brands.	Consumers switch brands frequently simply for novelty or flavour stimulation rather than dissatisfaction (e.g., craft beers, biscuits, yoghurt). Market leaders encourage habitual restocking via dominant shelf facings, while challengers stimulate switching through trial samples, coupons, and new flavour launches.

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The Five-Stage Buyer Decision Process

For high-involvement purchases, consumers progress through five distinct stages. However, for routine, low-involvement purchases, buyers frequently bypass extensive information search and evaluation, moving directly from need recognition to habitual purchase.

1. **Need Recognition:** Triggered by internal stimuli (hunger, fatigue) or external stimuli (a neighbour's solar battery installation or a targeted digital advertisement) creating a perceived gap between the consumer's actual state and desired state.
2. **Information Search:** Heightened attention or active search across personal sources (family, friends—typically most influential), commercial sources (advertising, brand websites, retail staff—most informative), public sources (CHOICE product reviews, consumer forums), and experiential sources (product trials, test drives).
3. **Evaluation of Alternatives:** Consumers process attribute information using compensatory or non-compensatory heuristics to rank competing brands in their consideration set.
4. **Purchase Decision:** Forming a purchase intention does not automatically guarantee completion; two factors intervene between intention and purchase—the *attitudes of others* (e.g., partner opposition) and *unexpected situational factors* (e.g., sudden interest-rate increases or stockouts).
5. **Post-Purchase Behaviour:** Satisfaction hinges on the alignment between expectations and perceived performance. Almost all major purchases trigger some degree of **cognitive dissonance**—buyer discomfort caused by post-purchase conflict over whether foregone alternatives might have performed better. Proactive warranty reassurance, onboarding guides, and follow-up service reduce dissonance and prevent product returns.

Quantitative Evaluation of Alternatives: Multi-Attribute Expectancy-Value Model

When evaluating competing brands rationally (a compensatory decision rule), consumers assign importance weights to salient product attributes and score each brand on its perceived performance across those attributes. The overall attitude or utility score A_j for brand j is given by the Fishbein multi-attribute model:

$$A_j = \sum_{k=1}^{K} w_k \cdot b_{jk}$$

Where:

- A_j: Overall weighted evaluation score for brand j.
- K: Number of salient evaluation attributes considered by the buyer.
- w_k: Importance weight assigned to attribute k (typically normalised so $\sum w_k = 1.0$, or scored on a fixed scale).
- b_{jk}: Consumer's belief score regarding how well brand j performs on attribute k (e.g., on a 1–10 rating scale).

Worked Numerical Example 2.2: Multi-Attribute Brand Evaluation

Scenario: A Sydney graduate is comparing three mid-range wireless noise-cancelling headphones (Brand A at A$399, Brand B at A$449, Brand C at A$349) across four attributes with normalised importance weights: Active Noise Cancellation ($w_1 = 0.35$), Sound Quality ($w_2 = 0.30$), Battery Life ($w_3 = 0.20$), and Value for Money ($w_4 = 0.15$). Perceived performance scores (1–10 scale) are summarised below.

Attribute	Weight (w_k)	Brand A Score (b_{Ak})	Brand B Score (b_{Bk})	Brand C Score (b_{Ck})
Noise Cancellation	0.35	8	9	6
Sound Quality	0.30	8	9	7
Battery Life	0.20	9	7	8

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Attribute	Weight (w_k)	Brand A Score (b_{Ak})	Brand B Score (b_{Bk})	Brand C Score (b_{Ck})
Value for Money	0.15	7	5	9

Step 1: Compute weighted utility scores for each brand.

$$A_A = (0.35 \times 8) + (0.30 \times 8) + (0.20 \times 9) + (0.15 \times 7) = 2.80 + 2.40 + 1.80 + 1.05 = 8.05$$

$$A_B = (0.35 \times 9) + (0.30 \times 9) + (0.20 \times 7) + (0.15 \times 5) = 3.15 + 2.70 + 1.40 + 0.75 = 8.00$$

$$A_C = (0.35 \times 6) + (0.30 \times 7) + (0.20 \times 8) + (0.15 \times 9) = 2.10 + 2.10 + 1.60 + 1.35 = 7.15$$

Step 2: Strategic Implication. Under compensatory evaluation, Brand A wins marginally ($A_A = 8.05$ vs $A_B = 8.00$) despite trailing Brand B in noise cancellation and sound quality, because superior battery life and better perceived value offset the gap. Note how Brand B could reverse the ranking by running a limited A$50 promotional rebate to raise its Value for Money score from 5 to 6, lifting A_B to 8.15.

Buyer Decision Process for New Products and Adopter Categories

When a product is genuinely new to the consumer, adoption proceeds through five mental stages: *awareness*, *interest*, *evaluation*, *trial*, and *adoption*. Everett Rogers demonstrated that individuals differ markedly in their readiness to try new offerings, distributing across five adopter categories along a bell-shaped diffusion curve:

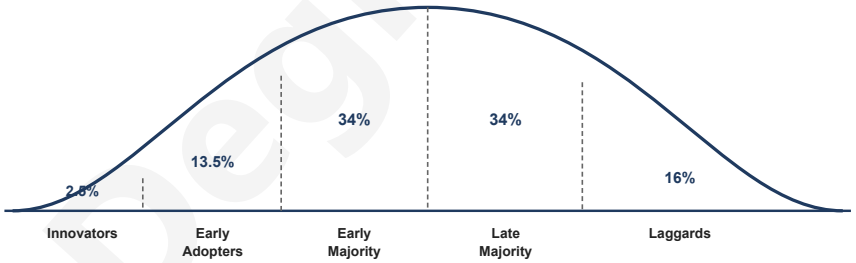


Figure 2.1: Adopter Categorisation on the Basis of Relative Time of Adoption of Innovations

Innovators (2.5%) are venturesome risk-takers; Early Adopters (13.5%) serve as respected opinion leaders within communities; the Early Majority (34%) adopt deliberately once practical proof accumulates; the Late Majority (34%) remain sceptical until social or economic necessity compels adoption; and Laggards (16%) remain tradition-bound. Speed of diffusion rises when an innovation offers strong *relative advantage*, *compatibility* with existing habits, low *complexity*, high *divisibility* (trialability), and clear *communicability*.

2.5 Business Markets (B2B) and Business Buyer Behaviour

Business-to-business (B2B) markets encompass all organisations that buy goods and services for use in the production of other products and services or for the purpose of renting or supplying them to others. In dollar terms, B2B transaction volume far exceeds consumer retailing because multiple upstream supply stages occur before a finished good reaches a household.

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Distinctive Characteristics of Business Markets

- **Market Structure and Demand:** Business markets involve fewer but far larger buyers, often concentrated geographically (e.g., Western Australian mining procurement centred in Perth, or Victorian agribusiness suppliers). Crucially, business demand is **derived demand**—it ultimately stems from consumer demand. Business demand is also relatively **inelastic** in the short run (a 10% fall in commercial flour prices barely changes bread consumption) and highly **fluctuating** (under the acceleration principle, a modest 10% rise in consumer demand can trigger a 100%+ surge in demand for factory machinery).
- **Nature of the Buying Unit:** Business purchases typically involve professional purchasing officers, technical engineers, and multi-departmental committees rather than a single individual.
- **Types of Decisions and Decision Process:** Decisions are technically complex, involve substantial dollar commitments, and depend on formal supplier relationships, negotiated service-level agreements (SLAs), and e-procurement tenders.

Major Buying Situations and the Buying Centre

Business buyers face three distinct buying situations that dictate the depth of supplier evaluation:

- **Straight Rebuy:** A routine reorder without modifications (e.g., a Melbourne legal practice reordering A4 copy paper from an approved supplier catalogue). Out-suppliers struggle to break in unless incumbent performance falters.
- **Modified Rebuy:** The buyer seeks changes in product specifications, prices, terms, or suppliers (e.g., a hospital network renegotiating clinical glove contracts to incorporate biodegradable materials).
- **New Task:** A first-time purchase of a complex product or service (e.g., an Australian university procuring an enterprise cloud CRM platform). Risk and information needs are highest, requiring consultative technical selling.

The decision-making unit of a buying organisation is called its **buying centre**, comprising all individuals and units that play a role in the purchase decision-making process: *users* (who operate the product), *influencers* (who define technical specifications and evaluate alternatives), *buyers* (who hold formal authority to select suppliers and negotiate terms), *deciders* (who hold formal or informal power to approve final supplier selection), and *gatekeepers* (who control the flow of information to others, such as executive assistants or procurement compliance portals).

The full B2B buying process spans eight stages in new-task situations: (1) problem recognition, (2) general need description, (3) product specification, (4) supplier search, (5) proposal solicitation, (6) supplier selection, (7) order-routine specification, and (8) performance review. Straight and modified rebuys compress or bypass intermediate steps. During supplier selection, procurement committees frequently employ formal **weighted vendor-rating scorecards** evaluating technical compliance, total cost of ownership (rather than sticker price alone), delivery reliability, financial stability, and ESG/Modern Slavery Act compliance.

In Australia, institutional and government markets—spanning federal agencies, state health and transport departments, and local councils—represent major B2B buyers governed by strict Commonwealth and State Procurement Rules (e.g., AusTender public tendering). Vendors must demonstrate value-for-money, transparent conflict-of-interest governance, Indigenous procurement participation, and auditable quality assurance. Increasingly, commercial B2B procurement also operates through automated e-procurement portals, reverse auctions, and integrated Enterprise Resource Planning (ERP) replenishment systems.

2.6 Customer-Driven Marketing Strategy: Segmentation, Targeting, and Positioning (STP)

Because organisations cannot serve all buyers in broad, diverse markets equally well, modern marketing strategy rests on the sequential **STP** framework: Segmenting the market, Targeting the most attractive segments, and Positioning the offering for competitive advantage.

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Market Segmentation

Market segmentation divides a heterogeneous market into smaller, relatively homogeneous groups of buyers with distinct needs, characteristics, or behaviours that might require separate marketing strategies or mixes. Consumer markets are commonly segmented across four primary bases (often combined in multivariable profiles):

Segmentation Base	Representative Variables	Australian Market Illustration
Geographic	States, metropolitan vs regional, climate zones, postcode density.	Hardware and apparel retailers adjusting seasonal stock timing between tropical Darwin and temperate Hobart.
Demographic	Age, life-cycle stage, gender, household income, occupation, education, cultural background.	Australian superannuation funds tailoring investment risk defaults and messaging across Millennials, Gen X, and pre-retirees.
Psychographic	Social class, lifestyle, values, personality traits (e.g., Roy Morgan Values Segments).	Specialty food brands targeting "Socially Aware" or "Visible Achievement" lifestyle cohorts regardless of identical income levels.
Behavioural	Occasions, benefits sought, user status, usage rate, loyalty status.	Airlines segmenting travellers into price-sensitive leisure flyers versus frequency-sensitive corporate commuters seeking lounge access and schedule flexibility.

Business markets use many of the same variables alongside B2B-specific dimensions: operating characteristics (technology, customer capabilities), purchasing approaches (centralised vs decentralised procurement), situational factors (urgency, order size), and personal characteristics of buyers.

To be commercially useful, market segments must satisfy five rigorous criteria: they must be **measurable** (size, purchasing power, and profiles can be quantified), **accessible** (effectively reached and served), **substantial** (large or profitable enough to justify tailored marketing programmes), **differentiable** (conceptually distinguishable and responding differently to distinct marketing mixes), and **actionable** (effective programmes can be designed to attract and serve them).

Market Targeting and Quantitative Segment Demand Estimation

When evaluating segments, managers examine three structural factors: *segment size and growth*, *segment structural attractiveness* (Porter's competitive rivalry, threat of substitutes, buyer power, supplier power), and *company objectives and resources*. To quantify segment revenue potential before committing capital, managers estimate total market demand (Q_m) and expected company sales (Q_c) using the chain-ratio demand model:

$$Q_m = N \cdot q \cdot p, \qquad Q_c = s \cdot Q_m$$

Where:

- Q_m: Total annual market demand for the target segment (in AUD).
- N: Number of potential buyers in the segment who have interest, income, and access.
- q: Average quantity purchased per buyer per year (units or purchase occasions).
- p: Average unit price paid per purchase occasion (in AUD).
- s: Projected company market share within that segment ($s \in [0, 1]$).
- Q_c: Projected annual company segment revenue (in AUD).

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Worked Numerical Example 2.3: Estimating Segment Revenue Potential in AUD

Scenario: An Australian pet-nutrition brand evaluates launching a premium refrigerated dog-food subscription targeting metropolitan Australian dog-owning households in the upper-middle income bracket. ABS and industry pet-ownership data indicate 4.8 million Australian households own at least one dog, of which 68% reside in capital cities, 40% fall within the target income bracket, and survey research shows 15% express purchase intent for fresh refrigerated meals. Target subscribers are expected to buy an average of 22 meal boxes per year at an average price of A$45 per box. If management projects capturing an 8% market share ($s = 0.08$) in Year 2, compute the qualified buyer count (N), total segment demand (Q_m), and projected company revenue (Q_c).

Step 1: Apply the chain-ratio filter to determine qualified buyers (N).

$$N = 4,800,000 \times 0.68 \times 0.40 \times 0.15 = 195,840 \text{ qualified households}$$

Step 2: Compute total annual segment demand (Q_m) and projected Year 2 revenue (Q_c).

$$Q_m = 195,840 \times 22 \times 45 = 193,881,600 \text{ AUD (approx. 193.88 million AUD)}$$

$$Q_c = 0.08 \times 193,881,600 = 15,510,528 \text{ AUD (approx. 15.51 million AUD)}$$

Step 3: Managerial Check. Even a conservative 8% share of this narrowly defined urban niche yields A$15.51 million in annual revenue, confirming that the segment satisfies the *substantial* and *measurable* segmentation criteria and justifies concentrated marketing entry.

Once segments are sized and evaluated, firms choose among four targeting coverage strategies ranging from broad to narrow:

- **Undifferentiated (Mass) Marketing:** Ignores segment differences and targets the entire market with one standardised offer, relying on commonalities in consumer needs (increasingly rare outside basic commodities such as table salt or standard electricity).
- **Differentiated (Segmented) Marketing:** Targets several market segments and designs separate offers for each (e.g., Cotton On Group operating Cotton On, Typo, Rubi, and Supre for distinct apparel and lifestyle niches). Builds higher total sales, though at higher production, inventory, and promotional costs.
- **Concentrated (Niche) Marketing:** Pursues a large share of one or a few smaller segments or niches (e.g., Bellroy focusing on slim, sustainably crafted carry goods for design-conscious professionals). Highly efficient for specialised firms, though vulnerable if niche demand shifts or large rivals enter.
- **Micromarketing (Local and Individual Marketing):** Tailors products and marketing programmes to specific localities (e.g., Woolworths tailoring store assortments to suburban postcode demographics) or individual customers (mass customisation and one-to-one algorithmic personalisation).

Differentiation and Positioning

A product's **position** is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products. Positioning begins with **differentiation**: creating meaningful competitive advantage across product attributes, service delivery, distribution channels, staff expertise, or brand image.

Analysts visualise competitive positions using **perceptual positioning maps**, which plot consumer perceptions of competing brands across two key buying dimensions (for instance, Price versus Perceived Performance/Prestige). The map below illustrates a hypothetical perceptual map for Australian supermarket retail.

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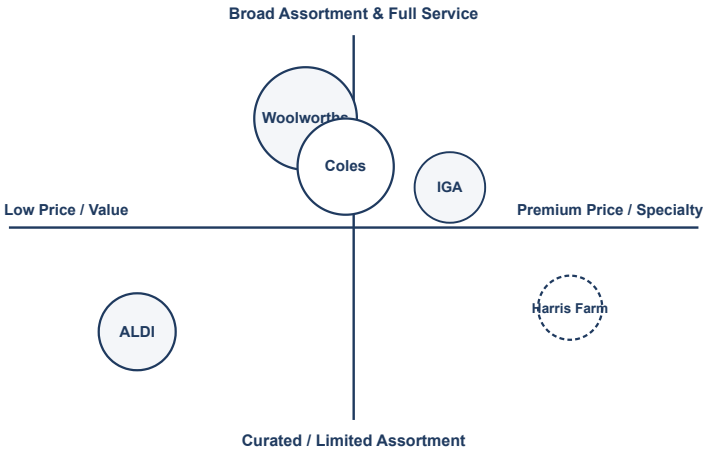


Figure 2.2: Illustrative Perceptual Positioning Map for Australian Grocery Retail

To translate positioning into an actionable brand strategy, a firm selects differences worth promoting—those that are *important*, *distinctive*, *superior*, *communicable*, *preemptive*, *affordable*, and *profitable*—and anchors them in a clear **value proposition** (such as "More for More", "More for the Same", "The Same for Less", "Less for Much Less", or "More for Less"). Finally, the strategy is codified in a structured **positioning statement**:

"To [target segment and need], [Brand] is the [concept/category] that [point of difference / key benefit] because [reason to believe]."

Every element of the tactical marketing mix—product engineering, pricing tier, distribution footprint, and communication tone—must reinforce this chosen position consistently so target buyers perceive a coherent, credible brand identity rather than contradictory promises.

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